CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the Payroll Expense Tax; adjusting the allocation of tax proceeds; eliminating the Payroll Expense Oversight Committee; amending Section 5.38.055 of the Seattle Municipal Code; adding a new Section 5.38.105 to the Seattle Municipal Code; and repealing Section 3.35.100 of the Seattle Municipal Code.

WHEREAS, the growth of the City's General Fund resources is significantly constrained by state regulations that limit the annual increase in the City's property tax revenues to one percent plus the value of new construction; and

WHEREAS, the growth of the City's General Fund resources is further constrained by the pattern of slow regional economic growth that has emerged in the post-pandemic period; and

WHEREAS, facing these constraints and increased demand for critical services such as public safety, basic shelter and affordable housing, and access to affordable nutritional food, the City has become reliant on revenues from the JumpStart Payroll Expense Tax to pay for basic municipal services and serve those most in need; and

WHEREAS, the spending policies prescribed by this ordinance are specifically intended to address the remaining downstream economic effects of the COVID-19 pandemic and their impact on City finances, and the Council intends to review these policies in advance of the 2029-2030 biennial budget and either amend or reaffirm them given the economic and financial conditions prevailing at that time; and

WHEREAS, the City has used JumpStart Payroll Expense Tax proceeds to pay for services such as mental health and affordable housing that are most appropriately addressed by State or County Government,

and the City must maintain the authority to impose JumpStart Payroll Expense Tax until the State or County sufficiently funds these services; and

WHEREAS, in 2020, the City Council passed the JumpStart Payroll Expense Tax on certain salaries paid by businesses in Seattle with over $7 million in annual revenue; and

WHEREAS, in 2021, the City Council passed Ordinance 126393, which created a new section of the Seattle Municipal Code proscribing the uses of JumpStart Payroll Expense Tax (PET) revenues, including an allowance that those revenues could be used to backfill core City services should General Fund revenues fall below 2020 General Fund revenues; and

WHEREAS, during the 2021, 2022, 2023, and 2024 Budget processes, the City Council needed to adopt modified policies for the use of PET revenues because the City's available resources and needs were not aligned with the originally adopted 2020 spending plan; and

WHEREAS, the Mayor and City Council wish to maintain the intent of the original 2020 spending plan by focusing on investments in affordable housing, human services, the City's Green New Deal program, the Equitable Development Initiative, and economic development while providing flexibility that reflects the City's short- and medium-term budget realities; and

WHEREAS, adjusting the City's self-imposed regulations for use of the JumpStart Payroll Expense Tax will allow for a more predictable and sustainable future budgeting path for the City's elected leaders, departments, employees, and the public; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.38.055 of the Seattle Municipal Code, last amended by Ordinance 126719, is amended as follows:

5.38.055 Payroll expense tax-Allocation of proceeds

((~~A. In any year where General Fund revenues from all sources approved as of January 1, 2020 are~~

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~~projected to be lower than $1,510,029,000 an amount equal to $1,510,029,000 minus the projected General Fund collections from non-payroll expense tax sources may be transferred into the General Fund to support programs and services funded by the General Fund. Projected payroll expense tax revenues remaining after any transfer allowed by this subsection 5.38.055.A shall only be used to either expand existing programs or create new programs, including associated program cost increases, that are consistent with subsection 5.38.055.B, and the amounts may not be used to supplant appropriations from other funding sources.~~

~~B. Amounts remaining after accounting for the allowed uses in subsection 5.38.055.A shall be allocated in accordance with the spending plan adopted in Resolution 31957, and outlined in Ordinance 126109 as follows:~~

~~1. Up to five percent of the annual JumpStart Fund revenue total is to administer and evaluate the effectiveness of the payroll expense tax authorized by this Chapter 5.38, to administer the investments described in subsections 5.38.055.B.2 through 5.38.055.B.5, and to evaluate the effectiveness of at least those investments described in subsection 5.38.055.B.4. If less than five percent of remaining funds are needed for administration and evaluation, any remaining funds may be used for other programs and services described in subsections 5.38.055.B.2 through 5.38.055.B.5.~~

~~2. Sixty-two percent of the annual JumpStart Fund revenue total is for housing and services, which is further allocated as follows:~~

~~a. Eighty-two percent of the housing and services portion is allocated for: (i) capital costs associated with the construction or acquisition of rental housing serving households with incomes at or below 30 percent of area median income (AMI), but may be used to support housing serving households with incomes at or below 60 percent of AMI, when required to support the operational costs of a proposed housing project; (ii) operating and services costs of rental housing serving households with incomes at or below 30 percent of AMI; and (iii) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing.~~

~~b. Thirteen percent of the housing and services portion is allocated for community focused acquisition and development of affordable housing, and to support affirmative marketing efforts and development and implementation of community preference plans.~~

~~c. Five percent of the housing and services portion is allocated for permanently affordable homeownership opportunities serving households with incomes at or below 80 percent of AMI.~~

~~3. Nine percent of the annual JumpStart Fund revenue total is to support the Equitable Development Initiative (EDI) that supports community-initiated equitable development projects that advance economic mobility and opportunity, prevent residential, commercial, and cultural displacement, build on local cultural assets, promote transportation mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access to all neighborhoods.~~

~~4. Fifteen percent of the annual JumpStart Fund revenue total is to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city's workforce.~~

~~5. Nine percent of the annual JumpStart Fund revenue total is for investments that advance Seattle's Green New Deal as described in Resolution 31895.~~

~~C. Except as provided in subsection 5.38.055.A, all uses of Payroll Expense Tax revenues as proscribed in subsection 5.38.055.B shall be in addition to funding levels for similar or the same programs as included in the City's 2020 Adopted Budget and shall not supplant existing funding from any City fund or revenue source.~~

~~D. Notwithstanding contrary provisions in subsections 5.38.055.A, 5.38.055.B, and 5.38.055.C, in the 2023 and 2024 budget for The City of Seattle, payroll expense tax revenues may be used as follows:~~

~~1. Up to $29,406,172 million of unappropriated 2022 revenues, up to $71,162,000 of 2023 projected revenues, and up to $84,053,126 of projected 2024 revenues may be transferred into the General Fund if necessary to support the programs and services funded by the General Fund in the 2023 Adopted and 2024 Endorsed Budget that are in excess of available General Fund revenues. After fulfilling the requirements of Section 5.80.020, upon completion of the 2022, 2023, and 2024 fiscal years' accounting, any ending General~~

~~Fund balance, less encumbrances, carryforwards as authorized by ordinance or state law, and planned reserve amounts reflected in the 2023 or 2024 Adopted Budget, that is in excess of the latest revised estimate of the unreserved ending fund balance for that closed fiscal year (as published in the adopted budget), shall reduce the amount of JumpStart funds transferred to the General Fund in 2023 or 2024. If any such transfer has already been made, then any excess General Fund shall be transferred back to the JumpStart Fund at the time the City completes its accounting for the closed fiscal year.~~

~~2. Amounts remaining after accounting for the allowed uses in subsection 5.38.055.D.1, and after allowing for the appropriations described in Attachment A to this ordinance, shall be allocated in accordance with subsection 5.38.055.B.~~))

A. Payroll expense tax proceeds may be allocated, consistent with RCW 35.32A.030, to support the following City activities:

1. Administrative costs associated with collecting the tax, distributing its revenues, and evaluating it and the programs it supports;

2. Affordable housing and associated services, including but not limited to:

a. Property acquisition;

b. Rental housing construction and related activities serving households at or below 60 percent of area median income;

c. Programs and investments that support and facilitate homeownership serving households at or below 80 percent of area median income;

d. Support for agencies that build and operate affordable housing;

e. Resident support services,

f. Operations and maintenance of housing properties; and

3. The Equitable Development Initiative, which supports community-initiated equitable development projects that advance economic mobility and opportunity, prevent residential, commercial, and

cultural displacement, build on local cultural assets, promote transportation mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access to all neighborhoods;

4. Investments in economic development and revitalization, including support to:

a. Local businesses, non-profit agencies, and artists;

b. Workforce development, including worker training;

c. Projects and activities that activate, maintain, and promote the City's business districts; and

d. Community planning efforts;

5. Investments in the City's Green New Deal program, including programs and policies that:

a. Make Seattle free of climate pollutants, meaning those that cause shifts in climate patterns, including carbon dioxide, black carbon, methane, nitrogen oxides, and fluorinated gases, by 2050;

b. Invest in communities historically most harmed by economic, racial, and environmental injustice;

c. Support job training and workforce development that advance an equitable transition to a clean energy economy;

d. Reduce climate pollution associated with constructing, powering, heating, and cooling buildings, including new developments, existing buildings, commercial, and both owner-occupied and tenant-occupied residential buildings;

e. Support a transition to electric vehicle use and electrified public transit and alternatives to driving, such as infrastructure for walking, biking, and rolling, with a focus on communities with the greatest need for transportation options and communities with the greatest exposure to vehicle emissions and transportation-related climate pollution;

f. Support resilience hubs, including both community-owned and publicly-owned facilities; or

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g. Support public transit expansion;

6. Programs and services supported by the City's General Fund;

7. Contributions to the JumpStart Payroll Expense Revenue Stabilization Account; and

8. Investments in youth mental health early intervention and treatment, youth safety in and around schools, and access to youth enrichment programs known to prevent adverse mental health outcomes. The use in this subsection 5.38.055.A.8 is authorized until an alternative funding source that is sufficient to provide funding equal to the amount appropriated from the JumpStart Payroll Expense Tax Fund for these purposes in the 2025 Adopted Budget is identified and implemented.

B. The following percentage amounts shall guide, but not constrain, the total combined funding allocated each year to Administration, Affordable Housing and Associated Services, the Equitable Development Initiative, Economic Development and Revitalization, and Investments in the City's Green New Deal program:

1. Administration - up to five percent;

2. Affordable Housing and Associated Services - 62 percent;

3. The Equitable Development Initiative - nine percent;

4. Economic Development and Revitalization - 15 percent; and

5. Investments in the City's Green New Deal Program - nine percent.

C. Allocations of payroll expense tax proceeds to programs and services supported by the City's General Fund shall be limited to the amount needed to sustain critical services and attend to emerging needs that cannot otherwise be sufficiently addressed with General Fund resources.

D. When payroll expense tax proceeds decline or fall short of forecast, consideration shall be given to increasing General Fund support to programs and services that would otherwise rely upon funding from payroll expense tax proceeds.

Section 2. A new Section 5.38.105 is added to the Seattle Municipal Code as follows:

5.38.105 Payroll Expense Tax Revenue Stabilization Account

A Payroll Expense Tax Revenue Stabilization Account (PET RSA) is established within the JumpStart Payroll Expense Tax Fund (14500). The PET RSA is intended to cushion the City from unanticipated shortfalls in Payroll Expense Tax revenues. Consistent with this intent:

A. The target level for balance for the PET RSA shall be equal to ten percent of forecast revenues;

B. Appropriations from the PET RSA shall only be made when actual or forecast PET revenues fall below the levels anticipated in the Mayor's Proposed Budget for the year following, or assumed in the Adopted Budget for the current year;

C. If the balance within the PET RSA is below the target level the Mayor's proposed budget shall include actual and planned appropriations to achieve that level within four years; and

D. In addition to any direct appropriations to the PET RSA authorized by the annual budget, 50 percent of any unanticipated year-end fund balance within the JumpStart Payroll Expense Tax fund, after accounting for carryforward appropriations, encumbrances, and planned reserve amounts reflected, in the adopted budget, shall be transferred to the PET RSA, if the PET RSA balance is below the target level. If such a transfer would bring the balance of the PET RSA above the target level, the amount of this transfer shall be limited to the amount needed for the PET RSA balance to achieve the target level.

Section 3. Section 3.35.100 of the Seattle Municipal Code, enacted by Ordinance 126109, is repealed:

((~~3.35.100 Payroll Tax Oversight Committee~~

~~A. There is established an Oversight Committee for the purpose of providing oversight on the services and programs supported by the tax in Chapter 5.38 and its impacts on the number of jobs and businesses in the City, and other data that directly relates to measuring the impact of the tax on the City's economy. The Oversight Committee shall provide an annual report that provides this information to the Mayor and the City Council. The Oversight Committee shall consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy Oversight Committee, the Green New Deal Oversight Board, and other oversight bodies that monitor programs and services similar to those supported by the tax. The Committee may elect~~

~~officers and establish rules of procedure, including what shall constitute a quorum. The Director of Neighborhoods or such other department head as may be designated by the Mayor shall provide the Committee such information as is necessary for the Committee to determine the status of individual programs and projects.~~

~~B. The Oversight Committee shall consist of nine voting members, appointed to positions number 1 through 9.~~

~~1. Position 1 shall be a City employee appointed by the Mayor or designee; position 2 shall be a City employee appointed by the City Council; positions 3 through 9 shall be persons outside City government. Positions 3, 5, and 7 shall be appointed by the Mayor. Positions 4, 6, 8, and 9 shall be appointed by the City Council.~~

~~2. Positions 3 and 4 shall represent labor.~~

~~3. Positions 5 and 6 shall represent business.~~

~~4. Positions 7 and 8 shall represent community organizations that reflect the diversity of the City.~~

~~5. Position 9 shall represent communities that will benefit from the proposed spending.~~

~~6. The appointing authority may remove any member who is absent from two or more consecutive meetings without cause.~~

~~C. No more than one committee members appointed by the Mayor and no more than one committee members appointed by the City Council shall be an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under Ordinance 126109; or be a member of the immediate family of, or an individual residing with, an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under Ordinance 126109; or be a person seeking or having an arrangement concerning future employment with an entity that receives or competes for funding under Ordinance 126109. For the purposes of this Section 3.35.100, an individual's "immediate family" means the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a guardian, or a person claimed~~

~~as a dependent on the individual's most recent federal income tax return. Subject to the preceding sentence and applicable law, an individual serving as an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under Ordinance 126109, or who has an interest in such an entity, shall not thereby be disqualified from serving on the Committee, but shall fully disclose any such relationships and shall not vote on any matter in which the interest of such entity is directly involved.~~

~~D. Upon the resignation, retirement, death, incapacity, or removal of a member, the authority appointing such member may appoint a replacement for the balance of the term.~~

~~E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any vacancy in an unexpired term shall be filled in the same manner as the original appointment. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a replacement for that position has been appointed by the City Council or confirmed by the City Council.~~

~~F. Members shall serve without pay, except that members may request compensation of $50 per hour served if participating on the committee presents a financial hardship. Upon such request, the Director of Neighborhoods is authorized to expend funds in the Department of Neighborhood's budget for this purpose. No money may be expended for services rendered prior to a request being filed with and approved by the Director.~~

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Section 4. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

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President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

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